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MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (ACQUISITION AND
TECHNOLOGY)
PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE
(ACQUISITION AND TECHNOLOGY)
DIRECTOR, DEFENSE PROCUREMENT
DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION
REFORM)
ASSISTANT SECRETARY OF THE ARMY (RESEARCH,
DEVELOPMENT AND ACQUISITION)
ASSISTANT SECRETARY OF THE NAVY (RESEARCH,
DEVELOPMENT AND ACQUISITION)
ASSISTANT SECRETARY OF THE AIR FORCE
(ACQUISITION)
DIRECTOR, BALLISTIC MISSILE DEFENSE ORGANIZATION

SUBJECT: Single Process Initiative (SPI) Biweekly Activity Report

Forwarded for your review is our biweekly report for the period ending May 9, 1997. The report highlights several areas we are currently emphasizing, such as new roles for SPI Management Councils, facilitating supplier involvement, and enhancing SPI awareness.

Should you have any questions or concerns regarding information contained in the attached documents, please contact Ms. Marialane Schultz, SPI/Block Change Management Team Leader at (703) 767-2471.

//Signed//
ROBERT W. DREWES
Major General, USAF
Commander

Attachment

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Single Process Initiative
Biweekly Report
May 9, 1997

Introduction

In our continuous pursuit of improving SPI effectiveness, this SPI report addresses our efforts to improve the SPI reporting process, expand Management Council activities, target processes with high probability for success and pay-off, apply approved SPIs to new procurements, enable supplier/subcontractor participation, inform non-participants of SPI benefits and successes, and more.

Workload Statistics

Workload statistics are not included in this report. On April 23, 1997, we began a systems overhaul of the SPI database collection and reporting process. This new system will simplify work processes by allowing Contract Administration Office (CAO) SPI representatives to directly input and maintain the SPI data in the database. Final deployment of the program is scheduled for July 31, 1997. We anticipate two more incremental modifications that may require us to bring the system down for 1 to 2 weeks each. As a result, SPI statistics will not be included in future biweekly reports during these downtimes.

Management Councils

On May 1, 1997, a Headquarters (HQ) Defense Contract Management Command (DCMC) SPI team member presented an update on SPI status and strategic goals at the spring meeting of the Aerospace Industries Association Engineering Management Committee. During roundtable discussions, many attendees voiced concern over delays experienced during concept paper review and approval cycles. Several individuals questioned whether Component Team Leaders had adequate resources (e.g., support staff and travel funds) to assure an expedited review process. During the overview of the Defense Standards Improvement Council actions, much of the discussion focused on preparing the Defense acquisition community for transitioning to performance based requirements. Feedback indicated that Management Councils will play a vital role in this transition by eliminating unwarranted product requirements appearing in new "performance based" contracts.

Management Council representatives from Boeing Defense and Space Group, Seattle, Washington, conducted a mentoring session with the council from Sanders, a Lockheed Martin Company located in Nashua, New Hampshire, on May 2, 1997. Boeing representatives presented their corporate-wide SPI/Management Council approach. Lockheed Martin uses a facility-by-facility approach. The parties also exchanged information on SPI processes to facilitate Sanders' role as a major subcontractor to Boeing on several major Defense Acquisition Programs including the F-22 and Joint Strike Fighter. Representatives from HQ DCMC and Defense Contract Management District East (DCMDE) participated in this session. We hope to use this mentoring approach to facilitate other Corporate-wide and Prime/Subcontractor Management Council efforts.

DCMC held its semi-annual Commander's Conference during May 6-8 at Tyson's Corner, Virginia. CAO Commanders from across the United States and around the world attended. As part of our "Management Council Quarter," a workshop on expanding the role of Management Councils was held during the second day of the conference. During the workshop, CAO commanders were given insights on

possible areas of expansion, including reducing reviews of contractor operations, facilitating supplier management efforts, exploring new techniques such as earned value management and parametric cost estimating, and discussing and coordinating any issues of mutual concern.

Facilitating Supplier Involvement in SPI

Lockheed Martin Astronautics Material Management Center, Fort Worth, Texas, conducted their first SPI Supplier Conference on April 30, 1997, with over 100 representatives of key aerospace sector suppliers. The purpose of the conference was to help Lockheed Martin's aerospace suppliers acquire a more global understanding of SPI and to encourage greater supplier participation in the SPI process. Conference speakers from Lockheed Martin described their progress in adopting plant-wide processes using SPI and offered their expertise to help suppliers develop SPI concept papers. The conference was an outstanding example of industry taking ownership to further the objectives of acquisition reform.

SPI and New Procurements

On April 30, 1997, the Principal Deputy Under Secretary of Defense (Acquisition & Technology) issued a memorandum addressing SPI and new procurements. This memorandum directs that single processes accepted by Management Councils shall be accepted as substitutes for solicitation specifications. Exceptions to this direction must be approved at the Head of Contracting Activity/Program Executive Officer level without authority of redelegation. This policy will alleviate the concern that benefits gained through SPI implementation will be lost if new or follow-on contracts revert back to military or federal specification requirements.

Targeting High Potential Processes

The Process Targeting IPT received the first cut of information from the services and agencies to identify contractors and products in the Navigation-Radar sub-sector. Team members are further refining the contractor and product information to develop a "snapshot" of the sub-sector which will then be validated by industry. The IPT is also discussing the best approach to gain industry validation of the IPT findings. The team is developing a standard "package" for seeking industry input on those processes that offer potentially high payback.

Government Property

On February 14, 1997, the Under Secretary of Defense (Acquisition & Technology) established an IPT to review problems associated with Government property in the possession of defense contractors. Mr. Brad Bergmann, Director for Acquisition Practices within the Office of Industrial Affairs and Installations, is the chairman of this IPT. Organizations represented are Director, Defense Procurement; DoD Inspector General; DCMC; DoD Comptroller; and the Military Departments. The IPT will make recommendations regarding proposed policies, procedures, and follow-on actions necessary to improve physical and financial control of Government property provided to defense contractors for contract performance. Primary areas of interest for the IPT's consideration are: why Government property in the possession of contractors continues to increase; improving physical and financial accountability; and how to reduce the buildup of unnecessary idle property. Disposition of 11 property concept papers requiring change to laws or

regulations is on hold pending results of this IPT. We are working with our IPT representative to determine what information can be released.

Featured Facility: Hamilton Standard, United Technologies Corporation, Windsor Locks, CT

Hamilton Standard Division (HSD), United Technologies Corporation, is located in Windsor Locks, Connecticut, and employs 6200 people. HSD consists of six autonomous business units that manufacture, overhaul and repair a wide variety of military, NASA, and commercial aerospace products such as engine and environmental controls, fuel cells and life support systems such as NASA's EMU (Spacesuit). HSD components support nearly all major weapons systems that are procured by the Army, Navy, and Air Force. Government sales represented approximately 35% of HSD 1996 business volume, with DoD and NASA sales of \$194.1M and \$100.8M, respectively.

Hamilton Standard's Management Council was established in March 1996 and has submitted 11 concept papers to date. Two block change modifications (covering 3 concept papers and seven processes) have been implemented, eliminating military and NASA quality standards and replacing them with ISO-9001/ISO-9002 processes. Cost savings associated with the estimated reduction of several thousand labor-hours per year will be reflected in forward pricing and final overhead rate proposals. Two other concept papers related to regulatory or statutory changes, Consent to Subcontract and Supplier Certifications, have been locally approved and are awaiting final decision from the HQ SPI Team.

More than half of HSD's DoD business occurs as a subcontractor, which creates the additional challenge of influencing prime contractor flowdown changes. Following the issuance of the two SPI modifications to date, HSD simultaneously notified each of the impacted DCMC counterparts at prime contractor facilities.

During the past several months, the DCMC Hamilton Standard Commander has aggressively pursued expansion of the Management Council's role. This includes participating on an HSD Continuous Improvement Council (CIC) comprised of senior HSD executives. The CIC goes beyond SPI by improving business processes in other areas. An improved Forward Pricing Rate Agreement/Forward Pricing Rate Recommendation process and a reengineered proposal process to reduce undefinitized contractual actions are current CIC initiatives. In addition, the Management Council is working directly with multiple NASA customers to reduce duplicate audits at Hamilton Standard. They expect to validate this new approach with an upcoming NASA joint audit in July 1997.

Enhancing Awareness

DCMDE has already completed seven site visits this quarter and has five more site visits planned for May. DCMDE is working in partnership with the contracting community to increase awareness of SPI. DCMC Boston is working to establish a Management Council with GTE in Taunton, Massachusetts. Raytheon is hosting a kick-off meeting for the Joint Group on Acquisition Pollution Prevention (JG-APP) at its Bedford, Massachusetts facility on May 14, 1997. Expected attendees include representatives from DCMDE and DCMC Raytheon. JG-APP will rely on the principles and lessons learned from SPI for its success.

Increasing Participation

- Defense Contract Management District International (DCMDI) reported the formation of three new Management Councils. DCMC Americas - Puerto Rico formed a Management Council with Propper International in April 1997. Propper International is a recognized leader in the manufacturing of military clothing. Its largest customer is the Defense Personnel Support Center with contracts totaling \$57.4 million. Due to the nature of the clothing and textile industry, contracts are frequently modified. In an effort to improve this process, the initial focus of the Management Council was to positively influence the timeliness of the contractor's proposal submissions. Another new international Management Council is DCMC Pacific - Singapore and Singapore Technology Aerospace Engineering. In their first meeting, this Council discussed methods of improving cycle times and mitigating supply/schedule delays in the repair of Navy C-130s. The third new international Management Council is DCMC Pacific - New Zealand and Air New Zealand Engineering Services Limited, which performs C-130 aircraft overhaul, maintenance, and repair, and ski manufacturing in support of the National Science Foundation. The Council is working initiatives related to defective Government Furnished Material and rapid response/turnaround of repairs and upgrade of aircraft components.
- Defense Contract Management District West (DCMDW) has concentrated their marketing efforts to increase contractor participation. This District has 11 new contractors participating in SPI for the period March 15 - April 15. DCMDW's "model profile" has worked extremely well in identifying potential contractors. This one page business profile gives the CAO Commanders a snapshot of corporate officials, history of the company, products, major programs, current business base, customers served, etc. Based upon this information, the CAO develops an approach plan, conducts a visit to introduce and create excitement about SPI, and seeks a commitment to participate. The site visits have proven invaluable and necessary to get "buy in" and commitment from company executives.
- In an effort to advance SPI, the Navy is bolstering internal coordination efforts with their Systems Command representatives. This effort has improved communications, helped focus strategic and tactical goals, increased overall effectiveness in performing SPI activities, and improved response time in resolving SPI overage problems. During the past few months, the Navy developed and distributed a memorandum to selected commercial vendors asking for increased participation in SPI at both the prime and subcontractor level. This memorandum included a questionnaire designed to assess industry's knowledge and interest level in SPI. The Navy is also using the Government-Industry Data Exchange Program to complete a general industry query on the subject of SPI.

Concluding Remarks

We are encouraged by the expansion of District, CAO, and Service marketing activities to target and increase top DoD contractor participation. Our focus on Management Councils is beginning to pay off in terms of increasing the number established, facilitating prime and subcontractor interfaces, and expanding responsibilities beyond SPI. Finally, we are especially pleased to report the recent breakthrough in the area of SPI and new procurements, ensuring that benefits gained through specifications and standards reform are preserved.